

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1529-04
Bill No.: Perfected HCS for HB 523
Subject: Telecommunications; Insurance - Property; Insurance Dept.
Type: Original
Date: April 20, 2011

Bill Summary: Establishes the criteria for the sale of portable electronics insurance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Insurance Dedicated*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Licensing revenues and expenditures unknown but expected to net to \$0.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator, Office of Prosecution Services and Office of State Treasurer** assume the proposal would have no fiscal impact on their agencies.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload. However, if other similar bills also pass, there are more cases, or the cases are more complex, there could be a fiscal impact.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state the department will collect licensure fees which will be deposited into the Insurance Dedicated Fund. The amount of licensure revenue that would be deposited into the Insurance Dedicated Fund is currently unknown due to the uncertainty of the number of potential licensees and the amount of the fee the DIFP would charge would not exceed the cost and expense of administering the provisions of this proposal. Currently the department has no appropriation or FTE in the Insurance Dedicated Fund for licensing and administration related to portable electronics and would need to request this through the budget process. However, the DIFP believes the work required under the provisions of this proposal can be accomplished within current staffing levels.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriation if there is a significant increase in the number of referrals from the department to handle the increase in workload.

Oversight notes the provisions of this proposal will be effective January 1, 2012.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (6 Mo.)	FY 2013	FY 2014
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Licensing and registration fees	Unknown	Unknown	Unknown
<u>Costs - DIFP</u>			
Administration and costs associated with Portable Electronics licensing	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (6 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would impact small businesses that sell portable electronics insurance as they would be required to be licensed.

FISCAL DESCRIPTION

This proposal requires any person or entity issuing, selling, or offering for sale any portable electronics insurance to be licensed with the Department of Insurance, Financial Institutions and Professional Registration. In its main provisions, the proposal: (1) Specifies the information which an applicant must provide to the department for licensure; (2) Requires any person currently selling insurance for portable electronics to file an application within 90 days of it being made available with the department to obtain a license to continue to sell the insurance; (3) Specifies that an initial license will be valid for 24 months and expire December 31 of the renewal year assigned by the department director; (4) Specifies that a license will authorize any employee or authorized representative of the vendor to sell or offer portable electronics insurance to a consumer at each vendor location; (5) Requires a vendor licensed by the state to notify the department director of all its locations in the state and to provide brochures or other written

FISCAL DESCRIPTION (continued)

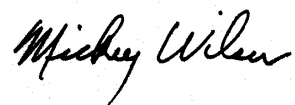
material to customers that disclose certain specified information; (6) Allows portable electronics insurance to be offered on a monthly or other periodic basis; (7) Requires each portable electronics insurance program to establish eligibility and underwriting standards for the coverage; (8) Allows an employee or authorized representative of a vendor to sell or offer for sale portable electronics insurance coverage without a license if the vendor is licensed, the insurer appoints a supervising agency for the administration of the program, and the employee or representative does not claim to have a nonlimited lines insurance license; (9) Allows a vendor to charge, bill, and collect for portable electronics insurance coverage; (10) Allows the department director to refuse to issue or renew, suspend, or revoke any license based on certain criteria and to cause a complaint to be filed against a licensee with the Administrative Hearing Commission as specified in the proposal; and (11) Requires the department to establish licensure fees which will be deposited into the Insurance Dedicated Fund to be used solely for the administration of the licensure requirements.

The proposal becomes effective January 1, 2012.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Administrative Hearing Commission
Office of Attorney General
Office of State Courts Administrator
Department of Insurance, Financial Institutions, and Professional Registration
Joint Committee on Administrative Rules
Office of Prosecution Services
Office of Secretary of State
Office of State Treasurer



L.R. No. 1529-04
Bill No. Perfected HCS for HB 523
Page 6 of 6
April 20, 2011

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